

UNDERSTANDING YOUR REAL PROPERTY TAXES

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Each year Kauai residents make an investment in their County when they pay their real property taxes. Every dollar is returned in the form of vital services we often take for granted; services such as fire and police protection, street maintenance and lighting, water, sewer and refuse collection, and recreational facilities and activities.

These services are financed through a variety of revenue sources including federal and state grants water and sewer fees, fuel tax, motor vehicle weight tax and, most importantly the real property tax. The County of Kauai could not operate without the real property tax as approximately 45% of every revenue dollar collected comes from this source.

REAL PROPERTY TAX POWERS

Hawaii's four counties now have full control over their real property tax system after voters approved a constitutional amendment transferring the responsibility for property valuation, exemptions, and tax collection from the State to the counties. Since the transfer in 1981, the County of Kauai has worked to refine the real property tax system and has developed improvements to the law.

ASSESSMENTS AT FULL VALUE

The need to insure "truth in taxation" has brought about a major change in the way property has been assessed beginning in 1983. Property is now being assessed at 100% of fee simple market value, making it easier for homeowners to see what their property is actually worth. Assessing at full market value eliminates the mathematical calculations and guesswork of the past.

FAIR MARKET VALUE

Locating, identifying and appraising your property at fair market value and approval of exemptions are the responsibility of the Real Property Assessment Division of the Department of Finance. Market value, or the price most people will pay for your property, is the standard used to measure equity in assessments.

Over the years great strides have been made to improve the methods used to assess property in a uniform and fair manner. Property owners are encouraged to visit the Real Property Assessment Division located at 4444 Rice Street, Lihue, HI. You can inspect your records at the front counter or ask to speak to an appraiser regarding your assessment.

APPRAISING YOUR PROPERTY

Because our County has only a few appraisers for approximately 28,000 taxable parcels and 27,000 structures, a personal inspection of your property is normally undertaken only at the time of construction or remodeling. The "Mass Appraisal Method of Valuation" is used thereafter, but your property is still given individual consideration. A computer is used to update your property value through a land and building indexing system.

The appraisal process continues throughout the year, but the values established by the Real Property Assessment Division as of January 1 constitute the values which will be used during the following tax year which begins July 1.

HOMEOWNERS EXEMPTIONS

As a property owner you should be aware that there are homeowner exemptions which can reduce your net taxable value providing you occupy the property as your principal residence on December 31 preceding the tax year. These home exemptions are:

• **BASIC HOME EXEMPTION** – Homeowners not 60 years of age will be eligible for a single home exemption of \$48,000.

• **MULTIPLE HOME EXEMPTION** – This exemption was established to help senior citizens living on fixed retirement incomes. Homeowners between the ages of 60 and 69 are eligible for two times the basic home exemption or **\$96,000**. For homeowners 70 years and older, the multiple home exemption is two and a half times the basic home exemption or **\$120,000**.

• **TOTALLY DISABLED VETERAN EXEMPTION** – If you are a totally disabled vet—due to injuries received while on active duty with the U.S. Armed Forces, your home is exempted from all real property taxes, except the minimum tax of \$25.00.

• **ADDITIONAL HOME EXEMPTION BASED ON INCOME** – Real Property which qualifies for the Basic Home Exemption, Multiple Home Exemption or Totally Disabled Veteran Exemption shall be Entitled to an additional exemption of up to \$55,000 provided the annual adjusted gross income of the owner-occupant is less than \$40,000. You shall apply annually for this exemption.

• **DISABILITY EXEMPTION** – Special exemptions of up to \$50,000 are also available for property owners who are totally disabled, blind, deaf, or who are Hansen's Disease sufferers. This special exemption is in addition to the basic and multiple home exemptions.

• **PLEASE NOTE:**

The staff of the Real Property Assessment Division will not automatically grant homeowner exemptions. You must file a claim on or before December 31 for the next tax year but, once filed, except for the additional exemption based on income, no additional action is required until your status changes. In addition to exemptions cited, there may be other types of exemptions which the Council may approve from time to time. Please check with the assessors office for more information.

ASSESSMENT NOTICES

Another important time frame is the period when assessment notices are mailed to property owners. These notices are mailed each year by March 15. You have until April 9 to appeal your assessment.

When you receive your notice, study it carefully. It lists your land classification, property value, exemptions and net taxable value. If you find an error or have questions on your assessment, contact the Real Property Assessment Division.

APPEAL PROCESS

Should you want to appeal, you will find the process is quite simple and requires no legal counsel. Appeals are heard by a five-member Board of Review composed of property owners like yourself. The taxpayer is asked to state his case and then the appraiser explains how the assessment was determined. There is a \$10.00 fee to appeal.

Property owners may also appeal directly to the Tax Appeal Court, which could require legal assistance if you choose not to follow the small claims procedure or file your appeal with the Board of Review. An appraiser will be happy to explain the appeal process and your rights under the law. Many property owners regretfully do not question their assessment until they receive their tax bill. The first half of the tax year's bill is mailed on July 20 and payment is due on August 20. The second half is mailed the following January 20 and payment is due on February 20. You should remember that tax assessment appeals can only be made between March 15 and April 9 prior to the mailing of your tax bill. There is no avenue for appeal after you have received your bill.

CALCULATION OF TAXES

The formula for real property taxes is:

$(\text{Assessed Value} - \text{Exemptions}) \times \text{Tax Rate} = \text{Taxes}$

After the assessment of the property has been made, and any exemptions subtracted from the assessed value, the remaining value is known as the net taxable value. This is the starting point for the calculation of taxes.

As part of the budget-making process every year, the County Council sets the tax rates. The tax rates are set separately for each class of property, and for land and buildings. The classes are: Single Family Residential, Apartment, Commercial, Industrial, Agriculture, Conservation,

Hotel/Resort, and Homestead. Other than Homestead, the classes are based on the property's highest and best use, which is usually the same as the zoning.

The Homestead class is made of properties which are used only as the owner's principle residence, no matter what the zoning is. Owner-occupied farms are also included in the Homestead class.

The tax rate is the amount of taxes on the property for each \$1,000 of net taxable value. For example, if the tax rate is \$8.00 and the net taxable value is \$100,000, the taxes would be \$800.00.

IMPORTANT DATES

The tax year begins on July 1 and extends until the following June 30. These are the important dates to remember:

Dec. 31 Deadline for filing exemption claims and recordation of ownership documents

Jan. 1 Assessment set for use during next tax year

Mar. 15 Assessment notices mailed

Apr. 9 Deadline for assessment appeals

May 1 Certified assessment roll to County Council

June 20 Tax Rate set by County Council

July 1 Tax Year Commences

July 20 First half year tax bills mailed

Aug. 20 First half tax payments due

Sept. 1 Deadline for applying for additional home exemption based on income and for filing dedication petitions

Jan. 20 Second half year tax bills mailed

Feb. 20 Second half tax year payment is due

TAX MAP KEY IS IMPORTANT

Homeowners should know their tax map key number. Real property is mapped and indexed numerically according to a tax key system which identifies your property. All matters concerning your property should be made in reference to the tax map key.